



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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CONEX-112633-03

CC:TEGE:EOEG:ET2

UIL: 112.00-00

[REDACTED]

Attention: [REDACTED]

Dear [REDACTED]:

I am responding to your letter dated February 25, 2003, to Mr. Floyd Williams, Director, Office of Legislative Affairs, on behalf of your constituent, Mr. [REDACTED]. Mr. [REDACTED] asked whether the exclusion from income for combat zone compensation provided in section 112 of the Internal Revenue Code (the Code) applies to outpatient hospitalization.

Unfortunately, the hospitalization exclusion applies to inpatient care only (Sections 1.112-1(c)(1) and (2) of the Income Tax Regulations). An individual is hospitalized only until the date he or she is discharged from the hospital. Thus, compensation earned while serving outside a combat zone during a period of outpatient services is not eligible for the exclusion.

However, Mr. [REDACTED] qualifies for a postponement of certain time-sensitive deadlines for the period he served in the combat zone, plus another 180 days (section 7508 of the Code). The deadlines that are postponed under section 7508 include:

- Filing and paying income taxes
- Filing claims for refunds
- Bringing a refund suit
- Filing a petition with the U.S. Tax Court

For example, the deadline for filing Mr. [REDACTED]' 2001 Federal income tax return, would have been April 15, 2002. However, under this section of the code, the filing deadline would be postponed 285 days from the date he concluded his service in the combat zone. The postponement would include any period of continuous qualified hospitalization for an injury received while serving in the combat zone. Therefore, if Mr. [REDACTED] was admitted to a hospital upon leaving the combat zone, the 285-day postponement would not begin until he left the hospital. Being an outpatient however, would not qualify as continuous hospitalization.

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I hope this information is helpful. I apologize for the incorrect advice Mr. [REDACTED] received when he contacted the IRS previously. If you have any questions, please contact me or [REDACTED] at [REDACTED]

Sincerely,

LYNNE CAMILLO
Chief, Employment Tax Branch 2
Division Counsel/Associate Chief Counsel
(Tax Exempt and Government Entities)